

Consolidated Summary Report <under Japanese GAAP>

For the three months ended June 30, 2014

July 25, 2014

Company name : KAGOME CO., LTD Stock exchange listings: Tokyo and Nagoya
 Code number : 2811 URL <http://www.kagome.co.jp>
 Representative : Naoyuki Terada, Representative Director & President
 For inquiry : Tomoko Sone, General Manager, IR Department TEL +81-3-5623-8501
 Quarterly securities report issuing date: August 8, 2014 Dividend payment date: -
 Supplemental information for quarterly financial statements: Yes
 Schedule for quarterly "investor meeting presentation": None

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Data for the Three Months ended June 30, 2014

(1) Operation results (% represents the change from the same period in the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended								
June 30, 2014	49,955	-1.7	1,067	-51.1	1,213	-50.9	790	-53.3
June 30, 2013	50,843	-1.3	2,184	-48.3	2,473	-44.9	1,692	-52.0

(Reference) Comprehensive income June 30, 2014: 770 million yen (-81.0%), June 30, 2013: 4,056 million yen (6.7%)

	Earnings Per Share	Diluted Earnings per Share
	yen	yen
Three months ended		
June 30, 2014	7.97	7.97
June 30, 2013	17.02	—

(2) Financial Conditions

	Total Assets	Total Net Assets	Net Assets Attributable to KAGOME Shareholders to Total Assets	Total Net Assets per Common Stock
	million yen	million yen	%	Yen
As of				
June 30, 2014	192,465	111,537	55.7	1,079.72
March 31, 2014	183,621	113,023	59.1	1,094.07

(Reference) Shareholders' equity as of June 30, 2014: 107,130 million yen; March 31, 2014: 108,505 million yen

2. Dividends on Common Stock

	Dividends per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year	yen	yen	yen	yen	Yen
ended March 31, 2014	—	—	—	22.00	22.00
ending December 31, 2014	—	—	—	—	—
ending December 31, 2014(Forecast)	—	—	—	16.50	16.50

(*) Revision to dividend forecasts published most recently: None

3. Forecasts for the Fiscal Year ending December 31, 2014 (Consolidated)

(% represents the change from the same period in the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Earnings Per Share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
For the six months ending September 30, 2014	104,000	0.3	3,200	-36.3	3,400	-37.8	2,200	-44.9	22.18
For the year ending December 31, 2014	162,000	—	4,600	—	4,800	—	2,500	—	25.21

(*) Revision to financial forecasts published most recently: None

*Notes for forecasted information above.

The Company has changed its fiscal year end from March 31 to December 31, as an associated amendment to the Articles of Incorporation has been approved at the Annual General Meeting of Shareholders held on June 18, 2014. Since the fiscal year end changes, in the fiscal year ending December 31, 2014, the consolidated results will include the results for ten months, from March 1, 2014 to December 31, 2014, for the consolidated subsidiaries whose former fiscal year ends at the end of February. The results for twelve months, from January 1 to December 31, 2014, for the consolidated subsidiaries whose fiscal year ends at December 31 will also be included as before.

(Reference)

The percentages below (percentage changes after adjustment) are percentage changes from the results of the Company for nine months, from April 1, 2013 to December 31, 2013, and its consolidated companies whose former fiscal year ends at the end of February for ten months in the previous year, from March 1, 2013 to December 31, 2013, and the results forecast for these companies for this fiscal year.

	Net Sales		Operating Income		Ordinary Income		Net Income	
For the year ending	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2014	162,000	2.3	4,600	-28.4	4,800	-31.6	2,500	-45.4

4. Other (For more details, please see “Other information” in page 2)

(1) Changes in significant subsidiaries during the current quarter: None.

Note: This section shows whether or not there is a change in Specified Subsidiaries (“*tokutei kogaisha*” in Japanese) that led to the change of the consolidation scope during the current quarter.

(2) Utilization of unique accounting methods: Yes.

(3) Changes in accounting policies, procedures, estimates, retrospective restatements, etc.

(A) Changes due to revision of accounting standards: Yes.

(B) Changes due to reasons other than (A): None.

(C) Changes in accounting estimates: None.

(D) Retrospective restatements: None.

(4) Number of common stocks outstanding at the end of the period

(A) Total stocks outstanding including treasury stocks:

June 30, 2014 99,616,944 shares March 31, 2014 99,616,944 shares

(B) Treasury stocks: June 30, 2014 396,342 shares March 31, 2014 441,335 shares

(C) Average outstanding stocks: Three months ended June 30, 2014 99,186,645 shares

Three months ended June 30, 2013 99,464,450 shares

* Disclosure regarding the execution of the quarterly review process

This “Consolidated Summary Report” (Quarterly “Tanshin”) is outside the scope of the external auditor’s quarterly review procedure which is required by “Financial Instruments and Exchange Act”. Therefore, the quarterly review process has not been completed as of this disclosure in the “Consolidated Summary Report”.

*Notes for using forecasted information etc.

(Caution regarding forward-looking statements)

This financial summary report contains forward-looking statements regarding estimations, forecasts, targets and plans in relation to the results of operations, financial conditions and other overall management of the company and/or the group as a whole (the “forward-looking statements”). The forward-looking statements are made based upon, among other things, the company’s current estimations, perceptions and evaluations. In addition, in order for the company to adopt such estimations, forecasts, targets and plans regarding future events, certain assumptions have been made. Accordingly, due to various risks and uncertainties, the statements and assumptions are inherently not guarantees of future performance, may be considered differently from alternative perspectives and may result in material differences from the actual result.

(Method for obtaining supplemental information for quarterly financial statements)

Supplementary information will be published on TD-net for viewing in Japan, and on Kagome’s Website.

5. Qualitative Information Regarding the Results for the Current Quarter

(1) Explanation of Management Results

The economy of Japan in the current consolidated cumulative first quarter (April 1-June 30, 2014) has seen both a boosting effect from the Abe administration's economic policies, as well as a moderate trend toward recovery centered on exporting companies. However, domestic consumption has seen the effects of a downturn of rush demand accompanying the April 2014 consumption tax increase. The food industry has seen difficult conditions as consumers continue to show an inclination toward saving money on convenience goods, and the costs for imported materials, energy and logistics rise.

Within these conditions, our company is conducting management in the current fiscal year with the highest priority on strengthening the earning capacity of our domestic businesses. Meanwhile, as this is the middle year of the "Next 50" mid-term management plan for the three-year period of FY2013-FY2015, we are also working on innovations that focus on future development into a global brand. Issues related to this include the following: (1) increasing value, which is to say refining product value and increasing profitability; (2) strengthening the enterprise make-up to increase productivity within all cost factors; and (3) "Next 50" innovations.

Domestic businesses have seen reductions in revenue in terms of sales. The principal causes for this in both the beverage and food businesses are the reduction of rush demand accompanying the consumption tax increase, as well as reduced revenue resulting from escalating competition between vegetable juice products. Non-beverage domestic businesses have been transitioning favorably overall. Overseas businesses have seen increased revenues, and there are three principal causes for this. First is the net increase in sales at United Genetics Turkey Tohum Fide A.S. and at United Genetic Holdings LLC, companies that were made consolidated subsidiaries in December 2013. The second item is local currency-base revenue increases within the majority of consolidated subsidiaries. The third item is an increase in sales volume resulting from currency conversions into the weak Japanese yen.

Profits have declined at domestic businesses. The principal causes for this include reductions in sales, price increases of imported materials, and an increase in the cost-to-sales ratio resulting from the weak yen. Profits at overseas businesses have increased in comparison to the same period in the previous year due to increases at consolidated subsidiaries and other factors.

As a result, net sales from the current consolidated cumulative first quarter amounted to 49.955 billion yen, a 1.7% decrease from the same period in the previous year. Operating income amounted to 1.067 billion yen, a 51.1% decrease from the same period in the previous year. Ordinary income amounted to 1.213 billion yen, a 50.9% decrease from the same period in the previous year, and quarterly net income amounted to 790 million yen, a 53.3% decrease from the same period in the previous year.

The consolidated subject period of the current consolidated cumulative first quarter is the three month period from March 1-May 31, 2014 for domestic subsidiaries that traditionally set the closing date as the last day of February, and the three month period from January 1-March 31, 2014 for domestic and overseas subsidiaries that traditionally set the closing date as the last day of December.

Contents of Appendix

1. Other Information

- (1) Changes in significant subsidiaries 5
- (2) Utilization of unique accounting methods 5
- (3) Changes in accounting policies, procedures, estimates, retrospective restatements, etc. 5

2. Consolidated Financial Statements

- (1) Consolidated Balance sheets 6
- (2) Consolidated Statements of Income and Comprehensive Income 8
- (3) Consolidated Statements of Cash Flows 9

1. Other Information

(1) Changes in significant subsidiaries

Not applicable.

(2) Utilization of unique accounting methods

Income taxes

Income taxes are calculated using the estimated effective tax rate including deferred tax assets and liabilities.

(3) Changes in accounting policies, procedures, estimates, retrospective presentation etc.

(Change due to revision of accounting standards)

Application of accounting standard for retirement benefits, etc.

The Paragraph 35 of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No.26 issued on May 17, 2012) and Paragraph 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25 issued on May 17, 2012) have been applied from the first quarter of the fiscal year 2014. With the revision of the method for calculating retirement benefit obligations and service costs, the method of attributing expected benefit to periods has changed from a straight-line basis to the benefit formula basis and the method for determining the discount rate has changed from determination based on the average remaining periods of service to a method using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

As for the application of the Accounting Standard for Retirement Benefits, etc., and in accordance with Paragraph 37 that specifies transitional arrangements, the amount of impact resulting from the changes in the calculation method for retirement benefit obligations and service costs was added to or deducted from retained earnings at the beginning of the first quarter of fiscal year 2014.

As a result, at the beginning of this first quarter, net defined benefit asset decreased by 6 million yen, net defined benefit liability increased by 117 million yen and retained earnings decreased by 79 million yen. In addition, the effect of these changes on operating income, ordinary income, and net income before taxes for the first quarter of fiscal year 2014 was immaterial.

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2014 AND JUNE 30, 2014

	Millions of Yen		Thousands of U.S. dollars
	31-Mar-14	30-Jun-14	30-Jun-14
	Amount	Amount	Amount
Assets			
Current assets:			
Cash and deposits	¥ 15,313	¥ 18,547	\$ 183,634
Notes and accounts receivable	30,616	33,068	327,406
Marketable securities	9,810	11,311	111,990
Merchandise and finished goods	19,781	20,235	200,347
Work in process	592	247	2,446
Raw material and supplies	20,092	20,139	199,396
Other current assets	11,554	11,861	117,436
Allowance for doubtful accounts	(377)	(346)	(3,426)
Total current assets	<u>107,385</u>	<u>115,066</u>	<u>1,139,267</u>
Fixed assets:			
Property, plant and equipment:			
Buildings and structures, net	15,324	15,145	149,950
Machinery, equipment and vehicles, net	15,899	15,442	152,891
Tools and furniture, net	1,073	1,087	10,762
Land	13,752	13,556	134,218
Lease assets, net	654	712	7,050
Construction in progress	2,008	3,734	36,970
Property, plant and equipment net	<u>48,712</u>	<u>49,679</u>	<u>491,871</u>
Intangible assets:			
Goodwill	3,978	3,662	36,257
Software	2,212	2,107	20,861
Other intangible assets	383	378	3,743
Total intangible assets	<u>6,574</u>	<u>6,148</u>	<u>60,871</u>
Investments and other assets:			
Investment securities	14,885	16,093	159,337
Net defined benefit asset	6	—	—
Other assets	6,141	5,562	55,069
Allowance for doubtful accounts	(84)	(84)	(832)
Total investments and other assets	<u>20,948</u>	<u>21,571</u>	<u>213,574</u>
Total fixed assets	<u>76,235</u>	<u>77,399</u>	<u>766,327</u>
Total assets	<u>¥ 183,621</u>	<u>¥ 192,465</u>	<u>\$ 1,905,594</u>

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 101 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2014.

	Millions of Yen		Thousands of U.S. dollars
	31-Mar-14	30-Jun-14	30-Jun-14
	Amount	Amount	Amount
Liabilities			
Current liabilities:			
Notes and accounts payable	¥ 14,453	¥ 15,777	\$ 156,208
Short-term borrowings	4,801	10,969	108,604
Current portion of long-term borrowings	3,425	3,276	32,436
Other payable	9,333	10,374	102,713
Income taxes payable	1,076	698	6,911
Accrued bonuses for employees	1,959	1,079	10,683
Accrued bonuses for directors	65	—	—
Other current liabilities	4,574	5,145	50,941
Total current liabilities	39,689	47,321	468,525
Long-term liabilities:			
Long-term borrowings	22,638	25,666	254,119
Net defined benefit liability	4,041	4,239	41,970
Other liabilities	4,228	3,700	36,634
Total long-term liabilities	30,908	33,606	332,733
Total liabilities	70,598	80,927	801,257
Net Assets			
Shareholder's equity:			
Common stock	19,985	19,985	197,871
Capital surplus	23,733	23,733	234,980
Retained earnings	58,013	56,535	559,752
Treasury stock	(703)	(627)	(6,208)
Total shareholder's equity	101,028	99,627	986,406
Accumulated other comprehensive income :			
Unrealized gain on available-for-sale securities	2,775	3,514	34,792
Deferred gain on derivatives under hedge accounting	4,027	3,441	34,069
Foreign currency translation adjustments	1,417	1,270	12,574
Remeasurements of defined benefit plans	(744)	(723)	(7,158)
Total accumulated other comprehensive income	7,476	7,502	74,277
Subscription rights to shares	—	1	10
Minority interest	4,518	4,405	43,614
Total net assets	113,023	111,537	1,104,327
Total liabilities and net assets	¥ 183,621	¥ 192,465	\$ 1,905,594

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 101 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2014.

**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE 1ST QUARTER ENDED JUNE 30, 2013 AND 2014**

	Millions of Yen		Thousands of U.S. dollars
	2013 Amount	2014 Amount	2014 Amount
Net sales	¥ 50,843	¥ 49,955	\$ 494,604
Cost of sales	27,449	28,231	279,515
Gross profit	23,393	21,723	215,079
Selling, general and administrative expenses	21,208	20,656	204,515
Operating income	2,184	1,067	10,564
Other income			
Interest income	58	72	713
Dividend income	120	100	990
Equity in earnings of affiliates by the equity method	2	1	10
Foreign exchange gains	50	—	—
Other	119	161	1,594
Total other income	352	336	3,327
Other expenses			
Interest expense	41	70	693
Foreign exchange losses	—	66	653
Other	21	53	525
Total other expenses	63	190	1,881
Ordinary income	2,473	1,213	12,010
Extraordinary gain			
Gain on sales of fixed assets	323	359	3,554
Gain on sales of investment securities	2	—	—
Total extraordinary gain	326	359	3,554
Extraordinary loss			
Loss on disposal of fixed assets	24	8	79
Total extraordinary loss	24	8	79
Income before income taxes and minority interests	2,775	1,564	15,485
Income taxes			
Income taxes - current	1,034	713	7,059
Income taxes - deferred	12	(5)	(50)
Total income taxes	1,047	708	7,010
Income before minority interests	1,728	856	8,475
Minority interests in net income	35	66	653
Net income	¥ 1,692	¥ 790	\$ 7,822
Addition: Minority interests in net income	35	66	653
Income before minority interests	1,728	856	8,475
Other comprehensive income			
Unrealized gain on available-for-sale securities	15	738	7,307
Deferred gain (loss) on derivatives under hedge accounting	1,007	(578)	(5,723)
Foreign currency translation adjustments	1,304	(266)	(2,634)
Remeasurements of defined benefit plans	—	21	208
Share of other comprehensive income of an affiliate by the equity method	—	(1)	(10)
Total other comprehensive income (loss)	2,328	(85)	(842)
Comprehensive income	¥ 4,056	¥ 770	\$ 7,624
Of which attributable to shareholders of the parent	3,838	821	8,129
Of which attributable to minority interests	217	(50)	(495)

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 101 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2014.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 1ST QUARTER ENDED JUNE 30, 2013 AND 2014**

	Millions of Yen		Thousands of U.S. dollars
	2013	2014	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 2,775	¥ 1,564	\$ 15,485
Depreciation and amortization	1,216	1,324	13,109
Amortization of goodwill	206	337	3,337
Interest and dividend income	(179)	(173)	(1,713)
Interest expense	41	70	693
Increase (decrease) in accrued bonuses	(1,393)	(944)	(9,347)
Increase (decrease) in other provisions	67	(18)	(178)
Increase (decrease) in net defined benefit liability	—	105	1,040
Equity in earnings of affiliates by the equity method	(2)	(1)	(10)
Loss (gain) on sales of investment securities-net	(3)	—	—
Loss (gain) on sales and disposal of fixed assets-net	(298)	(351)	(3,475)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	(3,904)	(3,152)	(31,208)
Decrease (increase) in inventories	(831)	(462)	(4,574)
Decrease (increase) in accounts receivable-other	(760)	(547)	(5,416)
Increase (decrease) in notes and accounts payable	3,202	1,933	19,139
Increase (decrease) in accounts payable-other	892	805	7,970
Decrease (increase) in other current assets	(580)	(421)	(4,168)
Increase (decrease) in other current liabilities	534	484	4,792
Other-Increase (decrease)-net	114	52	515
Subtotal	1,097	604	5,980
Cash received from interest and dividend income	130	147	1,455
Cash paid for interest expense	(26)	(79)	(782)
Cash paid for income taxes	(2,043)	(942)	(9,327)
Net cash provided by (used in) operating activities	(842)	(269)	(2,663)
Cash flows from investing activities:			
Disbursement for time deposits	(5,000)	(7,000)	(69,307)
Proceeds from repayment of time deposits	—	937	9,277
Purchases of marketable and investment securities	(3)	(3)	(30)
Proceeds from sales of marketable and investment securities	3	—	—
Payments of loans receivable	—	(0)	(0)
Acquisition of fixed assets	(2,491)	(2,344)	(23,208)
Proceeds from sales of fixed assets	336	420	4,158
Purchase of stocks of an affiliate	(301)	(106)	(1,050)
Other-Increase (decrease)-net	(15)	(55)	(545)
Net cash provided by (used in) investing activities	(7,471)	(8,150)	(80,693)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	(429)	6,116	60,554
Proceeds from long-term borrowings	1,063	3,656	36,198
Repayments of long-term borrowings	(122)	(338)	(3,347)
Repayments of finance lease obligations	(69)	(31)	(307)
Dividends paid	(1,887)	(2,098)	(20,772)
Dividends paid to minority shareholders	(45)	(66)	(653)
Decrease (increase) in treasury stock	(1)	76	752
Net cash provided by (used in) financing activities	(1,492)	7,314	72,416
Foreign translation adjustment on cash and cash equivalents	234	(163)	(1,614)
Net increase (decrease) in cash and cash equivalents	(9,571)	(1,268)	(12,554)
Cash and cash equivalents at the beginning of year	24,316	22,295	220,743
Cash and cash equivalents at the end of 1st quarter	¥ 14,745	¥ 21,026	\$ 208,178

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 101 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2014.